

MEMO



**To: FISCAL COMMITTEE
VICTORIA RUSNAK, CHAIR
ANTHONY A. BATARSE, JR., MEMBER**

Date: July 26, 2018

From: TIMOTHY M. CORCORAN

**Subject: ANNUAL DISCUSSION AND CONSIDERATION OF THE METHODS FOR
DETERMINING BOARD FEES**

At the May 26, 2011, General Board meeting, the Board directed staff to modify the semi-annual topic of board fees to an annual one. The Board expressed concern that its fees charged to dealers and manufacturers/distributors may be perceived to be a tax if those fees were in excess of the Board's actual costs, and devised an annual discussion for the purpose of monitoring any fee or cost changes.

To fund its programs, the Board assesses and receives fees from new motor vehicle dealers, manufacturers and distributors (herein distributors), which are then deposited into the New Motor Vehicle Account in the State Transportation Fund (Veh. Code § 3016). The Board is also directed by statute to assess a fee for the initial filing by any party in regard to any appeal, protest, or petition (Veh. Code § 3050.5). The Board establishes each fee amount in its regulations. Dealer fees are collected at the time of initial DMV licensing as well as license renewal, currently at a cost of \$300 per year of licensure (13 CCR § 553(a)). Distributors are charged a fee of \$0.45 per vehicle sold, leased, or otherwise distributed in California to a consumer, provided, however, that the fee paid shall not be less than \$300 (13 CCR § 553(b)). The fee required by Vehicle Code section 3050.5 for initial filings is \$200. Government Code section 16418.5 requires that each special fund of the state include a contingency reserve for economic uncertainties.

The Board has not changed any of its fees since March 2012, and has no present proposal seeking to do so. The Board monitors, on a quarterly basis, its spending within the appropriated budget as well as the condition of the Board's fund reserves. As fund revenue is highly dependent upon the number of vehicles distributed, and those figures are not made available until each May for the preceding year's sales, the Board is not situated to identify and respond to a significant revenue shortfall before fund reserves would be relied upon to support ongoing operations. Therefore, in the Board's instance, a fund reserve equal to 24 months or more would not be unreasonably high. The Board, as of the third quarter of fiscal year 2017/18, maintains a 13 month reserve for economic uncertainties.

At this time, Board staff identify no need to adjust Board fees. Should vehicle sales dramatically increase or decrease over an extended period indicative of more than a brief trend, and such that the fund reserves would be substantially affected, Board staff would propose appropriate adjustment of Board fees to correct the surplus or deficiency. Like any regulatory change, the Board would be presented with the proposal for consideration prior to filing with the Office of Administrative Law. Any such proposal would also be subject to the review and scrutiny of the Department of Finance, and subject to public comment, before adoption could be possible.

This matter is being agendized for discussion and consideration at the August 13, 2018, General meeting. Board staff are recommending this report be made an exception report in lieu of an annual report. If there are any questions or comments, please call me at (916) 324-6197.

cc: Ramon Alvarez C., President